

CEPS COMMENTARY

*Thinking ahead for Europe*

Diplomatic Spin: EU3+3 talks on Iran's nuclear file

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Narrowing the gap

Oversold by EU spin doctors to add weight to Catherine Ashton's legacy as High Representative and lead negotiator of the so-called 'EU3+3',¹ the Joint Plan of Action (JPA) agreed upon with Iran on 24 November 2013 gave negotiators one year to forge a comprehensive agreement that restricts the country's ability to militarise its nuclear programme.² That deadline will lapse in the next few days. Diplomats involved in the talks have been trying to rein in expectations that a deal will be struck on time. While the deadline helps to concentrate minds and to bridge the gap between positions on the substance, its expiry should not scupper the chance of the truly 'historic' agreement that is now within reach. The cost of failure is too great. The talks should be extended – if need be with another interim agreement such as the JPA or a framework agreement that is fleshed out soon afterwards.

The contours of a final deal are taking shape. The aim of the EU3+3 is to ensure that Iran would need at least one year to 'break out', i.e. to produce a bomb, which would give the international community plenty of warning. To that end, Iran's enrichment of uranium would be limited to 5% for the next decade; its plutonium programme would be put to civilian use; and Tehran would accept an enhanced monitoring and inspection regime by the International Atomic Energy Agency, but without having to fully disclose past weapons tests. In return, Iran expects quick decisions for gradual sanctions relief.³

As always, the devil is in the detail: what formula should be used to quantify Iran's practical needs for enriched uranium; what percentage level of enrichment is acceptable; how many centrifuges will the country be allowed to keep and of which generation; what will be the

¹ France, Germany and the UK plus China, Russia and the US, also known as the 'P5+1', the five permanent members of the UN Security Council + Germany.

² See S. Blockmans and L. Scazzieri, "Next steps toward a final deal with Iran", CEPS Policy Brief No. 316, 14 February 2014.

³ See S. Blockmans and S. Waizer, "E3+3 coercive diplomacy towards Iran: Do the economic sanctions add up?", CEPS Policy Brief No. 292, 6 June 2013.

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destination for each of Iran's nuclear facilities; what level of intrusion by inspectors is acceptable; what timetables for the lifting of UN, EU and US sanctions; should the EU offer an additional incentives package; and what will be the exact duration of the proposed agreement?

Whereas the gap between positions on the substance of a final deal has reportedly narrowed and most observers believe that a compromise on technical details can be found in the next couple of months, several international and domestic policy constraints are likely to define the parameters of what is achievable.

A hostile international environment

Iran virtually stands alone in a volatile geopolitical environment and for that reason may be increasingly willing to compromise. Its allies in Syria (President Bashar al-Assad) and Lebanon (Hezbollah) are unable to sway the tide; Shia communities and holy sites are threatened by Islamic State (IS) fighters in Iraq; and the Taliban is regaining ground in Afghanistan. A rapprochement between Iran and the US on fighting IS in Iraq was in the offing but both sides have made it conditional on an agreement about the number of centrifuges that Iran will be allowed to keep spinning.

Iran's main regional adversaries, Israel and Saudi Arabia, are in no mood for compromise. For years, successive Israeli governments have described Iran as being just six months away from producing a bomb. Israel's Prime Minister, Benjamin Netanyahu, has consistently described Iran as an "existential threat". In recent weeks he has reiterated that Israel would not abide by any arrangement that leaves Iran as a 'threshold' state; one able to build a nuclear weapon in a matter of months. Saudi Arabia worries that any deal with Iran would be the precursor to a reordering of Washington's alliances in the region, one in which the US would begin to work on regional issues with Shia Iran rather than with Sunni Saudi Arabia. Riyadh has threatened to build uranium enrichment facilities of its own to match whatever Tehran is allowed to retain, thereby raising the spectre of a nuclear arms race.

China, as one of the five permanent members of the UN Security Council, broke off its traditionally friendly ties with Iran by casting its vote in favour of the 2010 UN sanctions package against the country. While China has been defying the US and EU autonomous sanctions and remains Iran's biggest oil customer, Beijing is adamant that Tehran should cooperate with the P5+1 on the nuclear file.

Russia is rapidly becoming a key player in the negotiating team, despite its confrontations with the EU and the US over the crisis in Ukraine. On November 11th, Russia and Iran signed a bilateral agreement to ship much of Iran's low-enriched uranium to Russia for conversion into fuel for the Bushehr nuclear power plant. Reducing Iran's practical needs to produce low-enriched fuel could be the key to success in the EU3+3 talks, since it allows Tehran to continue a civilian nuclear programme and thus to sell a final deal at home. At the same time, Russia's pledge could serve as a safety guarantee for the rest of the EU3+3 in ensuring that Iran's enrichment capacity is capped. In return, Russia is rewarded economically by being allowed to contract its state-owned companies to provide additional nuclear power reactors to the Bushehr facility. There are, however, two caveats. First, a final deal depends on the willingness of the rest of the EU3+3 to accept Russia's nuclear security guarantees in spite of the Kremlin's breach of similar guarantees under the 1994 Budapest Memorandum by invading Ukraine.⁴ Second, the Kremlin itself may want to keep a final deal in limbo to keep Iranian oil off the market, to prevent it from further depressing falling prices and

⁴ See S. Blockmans, "Putin's 'couldn't care less' attitude towards Russia's international commitments", CEPS Commentary, 5 March 2014.

harming Russia's fragile economy. The oil-for-goods deal that Moscow has been offering to Tehran should be seen in the same light.

However difficult it may seem to align all the stars in this complex geopolitical constellation, it is not impossible. But it requires both diplomatic brinkmanship and political leadership. The prizes for strategic victory are clear enough: it would reinstate Iran's standing in the international community; remove the threat of a military attack by Israel and the US on Iran's nuclear infrastructure and the inevitable retaliation; contain a nuclear arms race in the Middle East; offer a platform to cooperate on regional security issues; reassure the P5+1 that they can work together on thorny international issues; give a political boost to the European External Action Service for managing the diplomatic process; lead to the gradual lifting of sanctions against Iran; and boost international trade.

Much as there is to gain, the likelihood of *détente* also hinges on the domestic acceptance of a final deal in Iran and the US – the main adversaries in this multi-layered diplomatic chess game.

Domestic challenges

Iran's negotiators are looking for a narrative of victory, one in which Iran obtains sanctions relief while being permitted to pursue its own nuclear programme for civilian use. In a way, this is a repeat of 2003, when the reformists currently in power negotiated a nuclear agreement with the EU but failed to convince the Supreme Leader Ayatollah Ali Khamenei that the deal would not lead to regime change. Riding to power on a wave of popular discontent with the destructive policies of his predecessor, President Hassan Rouhani cannot afford to use up all his political capital on the nuclear file. His mandate is to modernise the country and to lift it out of its economic isolation. Repairing some of the mismanagement under President Mahmoud Ahmadinejad has helped the Iranian economy to bounce back in recent months, but the challenges to this relative buoyancy are daunting. The hardliners retain plenty of power through the Army of the Guardians of the Islamic Revolution ('Revolutionary Guards'); a paramilitary intelligence service with a business wing that protects security-related interests (energy, telecoms, transport) – directly controlled by the Supreme Leader. The Revolutionary Guards oversee the nuclear weapons programme and control smuggling networks set up to circumvent international sanctions. In recent months, they impeached a minister in Rouhani's government, indicted one of his advisers, tried to prevent the president himself from appearing on state television and frustrated his attempts to increase the population's access to the internet. Whereas the hardline conservatives are not principally opposed to a nuclear deal, as long as it preserves Iran's dignity, they are waiting for Rouhani and his able Foreign Minister Mohammad Javad Zarif, the lead negotiator in the talks with the EU3+3, to fail in their electoral promises in order to regain political control. If the deadline set by the JPA is missed by a long margin the hardliners will claim that no agreement can be reached and that the nuclear programme should be accelerated. The Supreme Leader himself has been openly sceptical about the possibility of reaching a final deal but he may find it hard to turn a new one down and revert to repression to quell the increasingly vocal demands from a fast-changing society.

The window of opportunity to sell a deal at home is not only narrow for President Rouhani. President Obama, too, is in urgent need of a foreign policy success. He has staked part of his legacy on securing a long-term agreement with Iran. What Obama needs is a narrative to convince Congress that Iran has been forced to dismantle what it has. When the Republicans regain the majority of the Senate in the next Congress, starting in January 2015, they will represent a sizeable counterweight to a negotiated success with Iran. If the EU3+3 talks drag on, then Obama will face an increasingly hostile Congress that may impose more sanctions

and insist on putting the military option back on the table to prevent Iran from becoming a nuclear threshold state.

Satisfying domestic constituencies in Iran and the US is what makes the politics of dealing with the nuclear file so much harder than the physics of slowing down the nuclear programme. Opposition to a long-term and comprehensive agreement is driven by each side's suspicion of the other. Any future deal will have to stand on its own merits, enabling Iran and the EU3+3 to cooperate on the other geopolitical challenges they face. Both parties should therefore balance their demands with what they can realistically offer and make concessions to reach a compromise.

A limited extension of the talks

The EU should help the US in taking a leap of faith. EU member states feel little threat from Iran and are eager to re-establish economic ties with the country. There is a general belief in the EU that Israel, with its own undeclared nuclear arsenal, exaggerates the threat of a nuclear-able Iran. The notable exception is France, which upheld agreement on an early version of the JPA to obtain tougher guarantees from Iran on its plutonium programme at Arak. Paris could allay concerns in the US Congress by acting as a counterweight to Obama's impulse to make concessions.

If no deal is reached on November 24th, then diplomacy should be allowed to keep on spinning for a few more months. A limited extension of the talks is in the interests of all parties and should prevent the EU3+3 process from fizzling out into endless negotiations, in which neither side is willing to make the concessions needed for a long-term and comprehensive agreement. By extending Catherine Ashton's term as lead negotiator for the EU3+3, the new High Representative has already signalled that the EU would accept an extension.